



# Monthly Bulletin

Volume 6, Number 12

June, 2003

## Investments in Mortgage Backed Securities

The Department of Financial Institutions has noted a significant increase in the amount invested by California state-chartered banks in mortgage backed securities ("MBS"), and the related percentage that such investments represent of the total assets and capital of the banks and credit unions. The average investment in MBS of the banks is 105 percent of capital, while approximately 17 percent have investments in MBS in excess of 200 percent of capital. These securities have proved to be an attractive investment vehicle for excess funds during a period of very low investment returns. However, in past interest rate cycles we have noted a very high volatility in market price of such securities during periods when the direction of interest rate changes reversed. This primarily results from the imbedded prepayment option in the underlying mortgages, which can cause a dramatic change in the duration of the security.

In the recent environment of declining mortgage rates, the expected duration of such securities is only two to three years, because of rapid refinancing of the underlying mortgages. However, when the market believes that the long term rate environment has changed, refinancing will slow and the expected life "duration" could immediately jump to a five to seven year time horizon. This could result in a much more rapid decline in the market value of MBS when interest rates eventually rise than would otherwise be expected.

Our examiners will be monitoring the efforts of management at all banks and credit unions to manage their risk to market sensitivity. For those banks and credit unions that have significant investments in MBS, or other fixed rate securities, in relation to their capital, quarterly "stress" tests should be performed. Effective risk management requires measurement and mitigation of risk. Now is the time to review the level of interest rate risk in your securities portfolio.

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Consumer Compliance

(415) 263-8500  
(213) 897-2085  
(916) 322-5966  
(858) 642-4242  
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## **2003-04 Assessment Due**

### **DFI now Offers EFT Payment Option**

Assessment invoices were mailed to the following licensees on June 30, 2003. For the first time ever, licensees will be able to remit payments by electronic funds transfer (EFT). This will enable DFI to better manage its funds by reducing or eliminating costly and time-consuming manual processes. Please refer to the cover letter and assessment invoice for more information about this new payment option or contact Eli Karam at (415) 263-8525 or by e-mail at [ekaram@dfi.ca.gov](mailto:ekaram@dfi.ca.gov).

### **Banks, Foreign Banks and Trust Companies**

The base rate will increase from \$1.038585 to \$1.35 per thousand dollars of total assets. The higher assessment was due to a business decision by a major licensee to consolidate its licenses in another state and for the Department to be able to provide for a prudent three-month reserve fund. The statutory maximum rate is \$2.20 per thousand dollars of total assets.

Invoices were mailed to each licensee on June 30, 2003 and become delinquent if not paid by July 20, 2003.

### **Industrial Banks**

The assessment rate for industrial banks this year at \$0.80231 per thousand dollars of total assets is unchanged from the previous fiscal year ended June 30, 2002. Invoices were mailed to each licensee on June 30, 2003 and become delinquent if not paid by July 20, 2003. Insurance premium finance companies will be assessed on November 30, 2003. The statutory maximum rate is \$2.20 per thousand dollars of total assets.

### **Credit Unions**

The 2003-04 assessment rate is unchanged from last year's rate of \$0.747282343 per thousand dollars of total assets. Invoices were mailed to each licensee on June 30, 2003 and become delinquent if not paid by July 20, 2003. The statutory maximum rate is \$2.20 per thousand dollars of total assets.

### **Savings and Loan Associations**

The 2003-04 assessment rate for savings and loan associations is unchanged from last year's rate of \$0.495100 per thousand dollars of total assets. Invoices were mailed to each licensee on June 20, 2003 and become delinquent if not paid by July 10, 2003.

## DFI Collecting Data for 26<sup>th</sup> Annual Executive Officer and Director Compensation Survey

Forms for the 26<sup>th</sup> Annual Executive Officer and Director Compensation Survey were mailed to the CEOs of all state-chartered banks, industrial banks and national banks headquartered in California on June 30, 2003. Recipients are asked to respond by August 1, 2003 so the results can be compiled into a summary report that will be mailed to participating banks in the fall. If you do not receive your forms, please contact Patrick Carroll at (415) 263-8559 or by e-mail at [pcarroll@dfi.ca.gov](mailto:pcarroll@dfi.ca.gov).

The survey results for the 2002 Executive Officer and Director Compensation Survey are now available from the DFI Web site at <http://www.dfi.ca.gov/execsum/default.asp>.

### Commercial Bank Activity

#### New Bank

Five Star Bank of Natomas  
2400 Del Paso Boulevard, Sacramento, Sacramento County  
Correspondent: Gary Steven Findley, Esq.  
Gary Steven Findley & Assoc.  
1470 North Hundley Street  
Anaheim, CA 92806  
(714) 630-7136  
E-mail: [gsf@findley-reports.com](mailto:gsf@findley-reports.com)  
Filed: 6/10/03

San Diego Trust Bank  
Proposed location: 2550 Fifth Avenue, San Diego, San Diego County  
Correspondent: Michael Perry  
2472 Wind River Road  
El Cajon, CA 92019  
Phone: (619) 247-3637  
Approved: 6/23/03

Seacoast Commerce Bank  
296 H Street, Chula Vista, San Diego County  
Phone: (619) 476-7776  
Web site: [www.seacoastcommercebank.com](http://www.seacoastcommercebank.com)  
Officers: Larry Benthien, President and Chief Executive Officer  
Louis Cumming, Chief Credit Officer  
Toni Flannagan, Chief Financial Officer  
Capitalization: \$9,350,000.00  
Opened: 6/10/03

**New Bank (Continued)**

United American Bank  
101 South Ellsworth Avenue, San Mateo, San Mateo County  
Phone: (650) 579-1500  
Web site: [www.unitedamericanbank.com](http://www.unitedamericanbank.com)  
Officers: John C. Schrup, President and Chief Executive Officer  
William R. Walters, Chief Credit Officer  
Sherry A. Price, Chief Operating Officer  
Capitalization: \$15,125,000.00  
Opened: 6/9/03

**Conversion to State Charter**

First Bank of Beverly Hills, F.S.B., Calabasas, to convert from a federal savings bank to a state-chartered bank under the name First Bank of Beverly Hills  
Filed: 3/17/03

**Merger**

First Continental Bank, Rosemead, with and into United Commercial Bank, San Francisco  
Approved: 6/27/03

Southland Business Bank, Irwindale, with and into Vineyard Bank, Rancho Cucamonga  
Filed: 6/17/03

**Sale of Partial Business Unit**

California Bank & Trust, San Diego, to sell its trust assets to Western National Trust Company, Salt Lake City, Utah  
Approved: 6/18/03

**Acquisition of Control**

Hui-Yu Pai, to acquire control of First United Bank  
Filed: 5/14/03  
Approved: 6/19/03

**Premium Finance Company Activity****New Premium Finance Company**

Altair Premium Finance Corp.  
2501 East Chapman Avenue, Suite 100, Fullerton, Orange County  
Approved: 6/19/03

**New Premium Finance Company (Continued)**

CIBA Financial Services, Inc.

523 West 6<sup>th</sup> Street, Suite 716, Los Angeles, Los Angeles County

Approved: 6/19/03

Premium Payment Plan Inc.

2383 Buena Vista Avenue, Livermore, Alameda County

Approved: 6/11/03

**Voluntary Surrender of License**

FS Premium Finance Company

114 East 5<sup>th</sup> Street, Santa Ana, Orange County

Effected: 6/9/03

**Foreign (Other Nation) Bank Activity****Discontinuance of Office**

Dresdner Bank, A.G.

355 South Grand Avenue, Los Angeles, Los Angeles County (Depository Agency)

Filed: 5/19/03

**Foreign (Other State) Bank Activity****New Facility**

Franklin Bank S.S.B. (Facility – Insured Bank)

23001 Del Lago Drive, Suite D-2, Laguna Hills, Orange County

Opened: 6/2/03

Nevada Security Bank (Facility – Insured Bank)

2893 Sunrise Gold Circle, Suite 209, Rancho Cordova

Opened: 3/25/03

The Provident Bank (Facility – Insured Bank)

19000 MacArthur Blvd, Irvine, Orange County

Notified: 1/3/03

Opened: 2/1/03

**Discontinuance of Facility**

BankWest of Nevada (Facility – Insured Bank)

550 West C Street, San Diego, San Diego County

Discontinued: 6/1/03

## **Credit Union Activity**

### **Conversions to State Charter**

Lockheed Federal Credit Union, Burbank  
Withdrawn: 6/10/03

### **Change of Name**

Riverside Employees Credit Union to Raincross Credit Union  
Filed: 12/20/02  
Approved: 1/28/03  
Effectuated: 4/7/03

### **Field of Membership**

13 credit unions received approvals to add 61 new fields of membership during May 2003.

### **Bylaw Amendments**

Eight credit unions received approval for eight bylaw amendments during May 2003.

### **Variances**

One credit union received an approval for a request for variance to sections of the California Code of Regulations during May 2003.

## **Transmitter of Money Abroad Activity**

### **New Transmitter**

Bancomercio de El Salvador, Inc.  
Approved: 6/30/03

**Change of Name**

Banmetropolitano Corp., A Non-bank Affiliate of Banco Metropolitano, S.A. a California Corporation  
to Banmetropolitano Corp.

Effected: 5/5/03

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**DONALD R. MEYER**

Commissioner of Financial Institutions

Bulletin for Month ended  
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to Financial Code, Section 258



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